



AUDIT REPORT - IOWA COMMUNICATIONS NETWORK

Audit Report Released. The Auditor's Office released a report to the Iowa Telecommunication and Technology Commission (ITTC) regarding the Iowa Communications Network (ICN) for the year ended June 30, 2015.

Internal Controls. The Auditor reported the following findings in regard to internal controls:

- **Password Controls.** User identification numbers and passwords identify users and control access to system resources. Strong passwords require at least eight characters in length, including a combination of alpha, numeric, and special characters. After a limited number of consecutive unsuccessful attempts, a user should be locked out of the system until the user's access can be verified and the password can be reset. Passwords should be changed every 60 to 90 days and should not be allowed to be reused.
 - **Recommendation.** The ICN should take steps to strengthen password controls.
 - **Response.** The current ICN billing system now has the capability to force password changes every 60 to 90 days. Passwords cannot be reused and require a combination of upper and lower case letters, a number, and a special symbol. After three unsuccessful attempts entering the password, accounts are automatically locked. Accounts are also automatically locked after a specified time from lack of use. Currently, the general ledger the ICN uses does not require passwords. The ICN plans to install an upgrade in the fall of 2016 that will provide password requirements.
 - **Conclusion.** The Auditor's Office accepted the ICN response.
- **Timely Deposits.** Iowa Code section [12.10](#) requires the deposit of monies received within 10 days of collection. Of the 26 receipts tested by the Auditor's Office, six were not deposited within the 10-day timeframe.
 - **Recommendation.** The ICN should develop procedures to ensure all receipts are deposited intact and timely.
 - **Response.** The ICN will continue to implement standards and procedures to ensure timely deposits, including requiring weekly deposits. The ICN will also discuss the audit findings with the individual assigned to this task to ensure the standards are met.
 - **Conclusion.** The Auditor's Office accepted the ICN response.
- **Capital Assets.** Iowa Code section [7A.30](#) requires each state department to maintain a written, detailed, and up-to-date inventory of property under its charge and control. During FY 2015, 10 of the 77 capital assets tested for existence with a book value totaling \$68,492 could not be located at the site listed. The capital asset was either relocated to a different site or had been disposed of entirely.
 - **Recommendation.** The ICN should develop additional written procedures and follow current procedures to properly report and maintain capital assets for financial statement purposes.
 - **Response.** The ICN will review and update the current written procedures. The ICN is working on correcting a known system issue that impacted six of the 10 questioned assets. All of these assets are fully depreciated. According to the asset system vendor, the problem can be fixed with a software upgrade that is scheduled for early summer of 2016. The other four assets were part of a consolidated asset created for Governmental Accounting Standards Board (GASB) 34 in FY 2001, when the fiber optic transmission system room was consolidated. The Auditor's Office had required the consolidated assets be split back out as they were upgraded; however, the engineers creating the transfers were not always looking into the asset system to remove all the assets listed at the site. Some "passive" equipment from the old asset system may have been uploaded as part of the conversion process from the old asset system to the new.
 - **Conclusion.** The Auditor's Office accepted the ICN response.

Statutory Requirements. Iowa Code section [73.16](#) requires the Director of each state agency or department with purchasing authority, in cooperation with the Targeted Small Business (TSB) Marketing and Compliance Manager of the Iowa Economic Development Authority (IEDA), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal should include construction but exclude utility services. The goal should be stated in terms of a dollar amount and at a level exceeding procurement levels from certified small businesses during the previous fiscal year. The FY 2015 TSB procurement goal for the ICN was not set at a level exceeding actual FY 2014 TSB spending.

- **Recommendation.** The ICN should establish a dollar amount procurement level exceeding that of the previous fiscal year.
- **Response.** The ICN will set the TSB spending goals above the certified TSB procurement level of the previous fiscal year to comply with the Iowa Code.
- **Conclusion.** The Auditor's Office accepted the ICN response.

More Information. The audit report is available on the Auditor of State's website at:
https://auditor.iowa.gov/sites/default/files/audit_reports/1660-3360-0R00.pdf.

STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.iowa.gov